



ECONOMIC INDICATORS

CITY OF NORFOLK
OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: August 11, 2014

ISSUE HIGHLIGHTS.....

- ❑ **Norfolk Unemployment:** Norfolk's unemployment rate (not seasonally adjusted) was 7.2 percent in June, which was 0.3 percentage point above last month (May 2014) but was below last year's rate by 0.3 percentage point (June 2013). (See page 1)
- ❑ **State Employment:** Nonfarm employment in Virginia (not seasonally adjusted) rose year-over-year in June by 0.37 percent (14,200 jobs) to 3,803,800 jobs from 3,789,600 jobs last year (June 2013). This was the 4th consecutive month of year-over-year job growth. (See page 2)
- ❑ **Regional Employment:** Hampton Roads nonfarm employment (not seasonally adjusted) rose year-over-year in June by 0.29 percent (2,200 jobs). This was the first year-over-year growth in regional jobs since December 2013. (See page 2)
- ❑ **Regional and Norfolk Housing Market:** Through June, the average sales price of homes sold in Hampton Roads fell slightly by 0.2 percent, to \$229,318 from \$229,717 last year. The average sales price of homes in Norfolk sold through June fell 1.6 percent, from \$190,465 last year to \$187,350 (See page 3)
- ❑ **Norfolk Residential Building Permits:** Through June, the number of housing units permitted in Norfolk rose by 322 units to 682 units from 360 units permitted during the same period last year. Housing units permitted in apartment projects have driven the growth year-to-date. (See page 4)
- ❑ **Norfolk Sales Tax:** In FY 2014, Norfolk sales taxes were up 2.1 percent (or \$619,400). However, adjusting for the correction of an overpayment to Norfolk last year by the Virginia Department of Taxation, sales taxes were down 0.9 percent. (See page 5)
- ❑ **National Economy:** Real GDP grew at an annual rate of 4.0 percent (first estimate) in the second quarter of 2014, after declining 2.1 percent (revised) in the first quarter. In 2013, real GDP grew 2.2 percent, revised up from the previous estimate of 1.9 percent growth. (See page 6)

Residential Employment

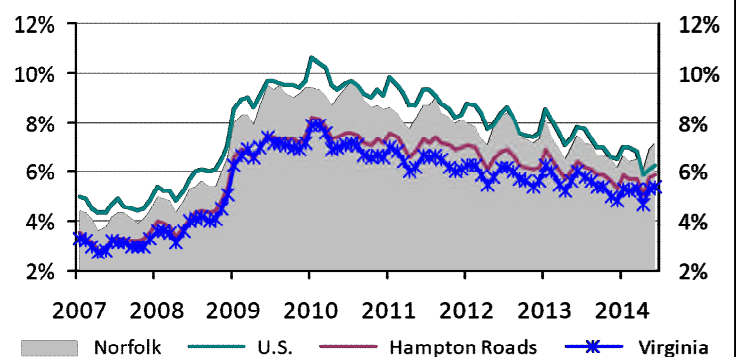
Hampton Roads and State Unemployment Rate
(not seasonally adjusted)

	June 2014*	May 2014	June 2013	10-Year Average
Norfolk	7.2%	6.9%	7.5%	6.5%
Chesapeake	5.4%	5.4%	6.2%	5.0%
Hampton	6.7%	6.5%	7.2%	6.1%
Newport News	6.4%	6.3%	6.7%	5.9%
Portsmouth	6.9%	6.9%	7.9%	6.7%
Suffolk	6.0%	6.4%	6.6%	5.4%
Virginia Beach	5.2%	5.1%	5.7%	4.6%
Hampton Roads	5.9%	5.8%	6.4%	5.3%
Virginia	5.4%	5.3%	6.0%	5.0%

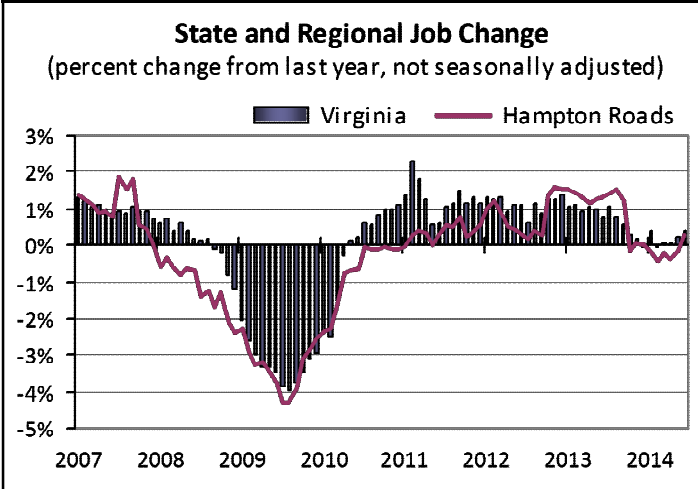
Norfolk's unemployment rate (not seasonally adjusted) was 7.2 percent in June, which was 0.3 percentage point above last month's rate (May 2014) but was below last year's rate by 0.3 percentage point. Virginia Employment Commission indicated "the unadjusted unemployment rate usually increases from May to June as college graduates and students continue to enter the labor market seeking employment." Norfolk's rate fell from last year, as the number of unemployed residents fell by 260 (3.3 percent), while the Norfolk labor force and employed residents grew by 1,093 (1.0 percent) and 1,353 (1.4 percent), respectively. However, Norfolk's rate was above the national rate (June 2014, 6.3 percent, not seasonally adjusted) for the 3rd straight month.

The unemployment rate for the state, region and major cities neighboring Norfolk followed the same trend, except Suffolk and Chesapeake, where the rate fell or was unchanged from last month.

Unemployment Rate: Norfolk, Region, State and National
(not seasonally adjusted)



State and Regional Employment



Statewide nonfarm employment (not seasonally adjusted) rose year-over-year in June by 0.37 percent (14,200 jobs) to 3,803,800 jobs from 3,789,600 jobs last year (June 2013). This was the 4th consecutive month of year-over-year job growth. The largest increase was in education and health services, followed by trade (mainly retail trade), financial activities, and leisure and hospitality, which more than offset the decline in statewide employment in professional and business services, federal government, information, and transportation and utilities.

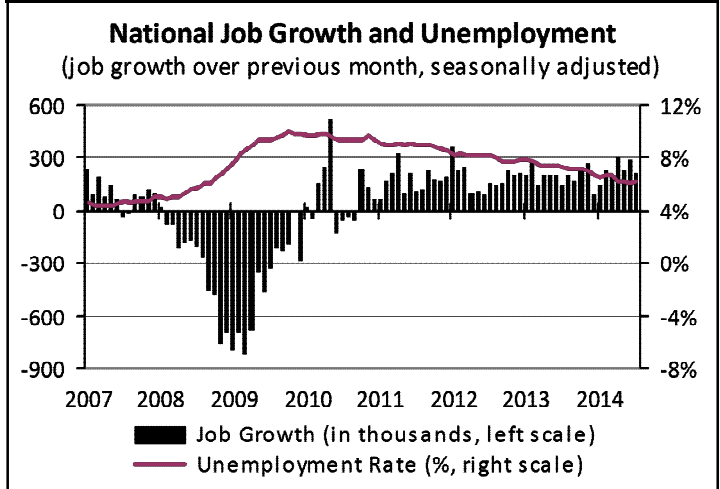
Hampton Roads nonfarm employment (not seasonally adjusted) rose year-over-year in June by 0.29 percent (2,200 jobs). This was the first year-over-year growth in regional jobs since December 2013. Similar to Virginia overall, the largest increase was in education and health services, followed by trade (mainly retail trade), leisure and hospitality, and financial activities, as shown in the table below.

June Job Change in Select Industries

(not seasonally adjusted¹; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	-1,600	500
Manufacturing	-100	300
Trade (Retail and Wholesale)	3,200	3,400
Transportation and Utilities	-200	-100
Information	-500	-2,200
Financial Activities	900	3,000
Professional and Business Services	-2,900	-14,000
Educational and Health Services	3,400	18,300
Leisure and Hospitality	2,000	2,900
Government	-1,900	-1,800
Federal Government	-1,800	-4,200
State Government	0	1,700
Local Government	-100	700

National Employment



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) increased by 209,000 jobs in July, after increasing a revised 298,000 and 229,000 jobs in June and May, respectively. Year-to-date through July, the economy added an average of 230,000 jobs per month, for a total of 1,609,000 jobs. The growth year-to-date has been relatively broad based. Among the major sectors, only the federal government and information has had a net decline year-to-date. Even with the decline in federal government jobs, the public sector overall has been adding jobs to date, unlike the past three years when it was shedding jobs during the same period. In July, the seasonally adjusted unemployment rate edged up slightly to 6.2 percent from 6.1 percent in June but was below last year's 7.3 percent rate.

National Job Change by Industry

(seasonally adjusted; June/July growth are from previous month)

	June 2014 ²	July 2014 ³	2014 YTD ³
Mining & Logging	5,000	8,000	34,000
Construction	10,000	22,000	165,000
Manufacturing	23,000	28,000	107,000
Trade/Transportation/Utilities	70,000	39,000	282,000
Information	10,000	2,000	-8,000
Financial Activities	17,000	7,000	50,000
Professional/Business Services	73,000	47,000	427,000
Educational/Health Services	45,000	17,000	241,000
Leisure and Hospitality	23,000	21,000	212,000
Other Services	-6,000	7,000	31,000
Government	28,000	11,000	68,000
Federal Government	2,000	0	-22,000
State Government	5,000	-1,000	2,000
Local Government	21,000	12,000	88,000
Total Job Growth	298,000	209,000	1,609,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. ² Preliminary. ³ Revised.

Regional Housing Market

Jan.—June Home Sales	Housing Units Sold		Average Days on Market	
	2013	2014	2013	2014
Hampton Roads	10,271	9,819	93	86
Norfolk	1,256	1,214	94	82
Chesapeake	1,686	1,553	78	70
Hampton	661	635	101	104
Newport News	854	839	107	99
Portsmouth	574	616	98	93
Suffolk	617	630	98	93
Virginia Beach	2,940	2,729	79	71

Average Residential Sales Price: January - June			
Area	2014	2013	% Change
Hampton Roads	\$229,318	\$229,717	-0.2%
Norfolk	\$187,350	\$190,465	-1.6%
Chesapeake	\$244,852	\$243,985	0.4%
Hampton	\$151,788	\$148,795	2.0%
Newport News	\$160,745	\$162,256	-0.9%
Portsmouth	\$129,102	\$121,127	6.6%
Suffolk	\$231,925	\$233,812	-0.8%
Virginia Beach	\$278,716	\$278,754	0.0%

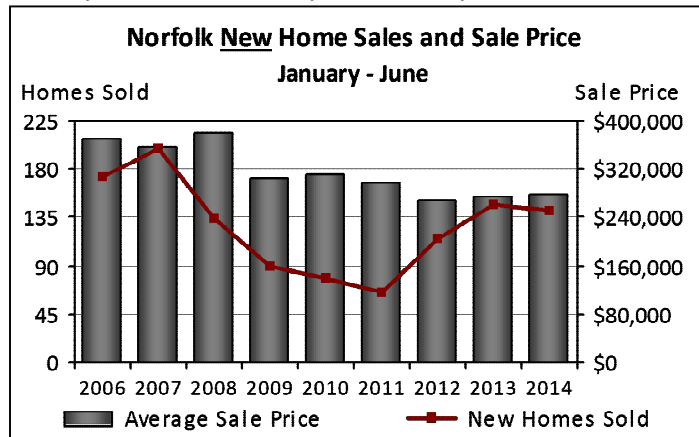
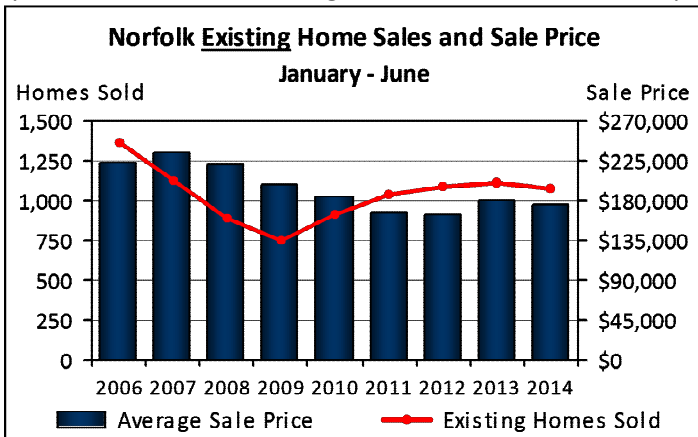
The Real Estate Information Network (REIN) reported a 0.2 percent decline in the average sales price of homes sold in Hampton Roads through the second quarter of 2014 from the same period last year. Among the seven major cities of the region, only Chesapeake, Hampton and Portsmouth had an increase in the average sales price of homes sold year-to-date compared to the same period last year.

The number of homes sold in the region year-to-date through June also fell 4.4 percent from last year. However, REIN indicated home sales in the region for the month of June alone increased year-over-year, after declining year-over-year for five consecutive months. Among the seven major cities, home sales have declined year-to-date, except in Portsmouth and Suffolk where they are up 7.3 percent and 2.1 percent, respectively, from last year. On a positive note, the region's pending home sales (homes under contract), a leading indicator of future home sales, were up 15.68 percent from last year, and according to REIN, all the seven major cities had an increase. The percentage of residential active listings (homes for sale) that are distressed fell for the sixth straight month, from 21.68 percent to 17.36 percent. Likewise, the percentage of homes sold that are distressed fell to 20.08 percent, which was down from 22.84 percent last year.

Norfolk Housing Market

The number of existing homes sold in Norfolk year-to-date through June fell 3.3 percent (37 homes) from the same period last year. Sales of attached and detached homes year-to-date have both declined. New home sales also declined by 3.4 percent (5 homes). However, the decline was mainly in sales of new detached homes, while sales of new attached homes held steady.

The average sales price of existing homes sold fell 2.2 percent to about \$175,600 from \$179,600 last year. However, unlike existing homes, the average sales price of new homes sold year-to-date rose 1.4 percent to about \$277,000 from \$273,300 last year. The increase was mainly due to the average sales price of new detached homes. The increase reflected a decline in the number of new homes sold for under \$300,000, while the percentage of new homes sold priced in the \$300,000 range and above rose from 18.5 percent last year to about 20.6 percent this year.



Source: Real Estate Information Network (REIN)

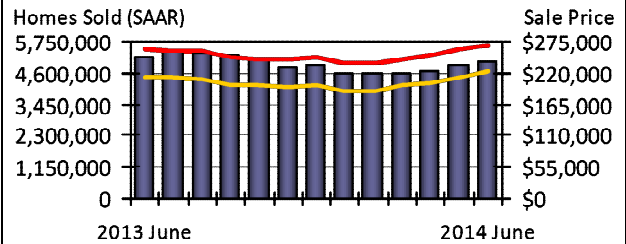
National Housing Market

Existing home sales nationwide rose for the 3rd straight month in June by 2.6 percent to a seasonally adjusted annual rate (SAAR) of 5.04 million from the previous month's (May 2014) revised rate of 4.91 million. According to the National Association of Realtors (NAR), this was the first time since October 2013 that existing home sales had reached the 5 million annual rate. However, sales remained below last year's rate of 5.16 million by 2.3 percent.

Also, new home sales in June fell to 406,000 (SAAR) which was 8.1 percent below last month's revised rate of 442,000 (SAAR) and was 11.5 percent below last year's rate of 459,000 (SAAR). However, NAR reported that inventory have been rising giving buyers more choices and may induce future sales—for existing homes, 2.3 million were available for sale in June (the highest in over a year), while new homes for sale have risen for four straight months. The average sales price of existing and new homes sold continued to rise year-over-year in June by 3.1 percent and 8.3 percent, respectively, from last year to \$269,100 and \$331,400.

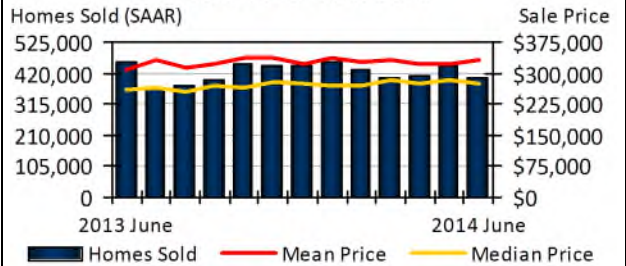
Existing Home Sales and Sale Price

June 2013 - June 2014



New Home Sales and Sale Price

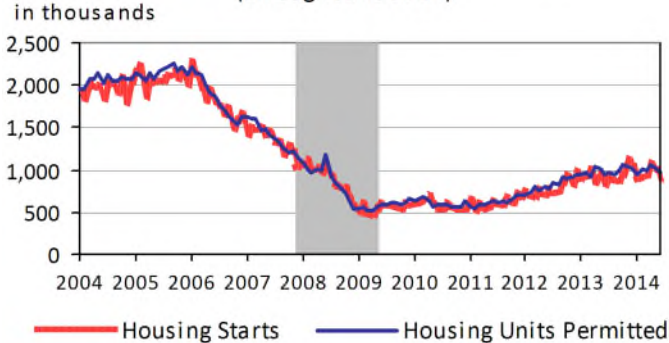
June 2013 - June 2014



National New Residential Construction

National Housing Starts and Building Permits

(through June 2014)



The Census Bureau reported privately-owned housing units authorized by building permits in June fell 4.2 percent to a seasonally adjusted annual rate (SAAR) of 963,000 from last month's (May 2014) revised rate of 1,005,000. The decline was mainly due to units permitted in multi-family structures. Compared to last year, housing units permitted were up 2.7 percent from last year's rate of 938,000 with units permitted in single and multi-family housing both rising year-over-year.

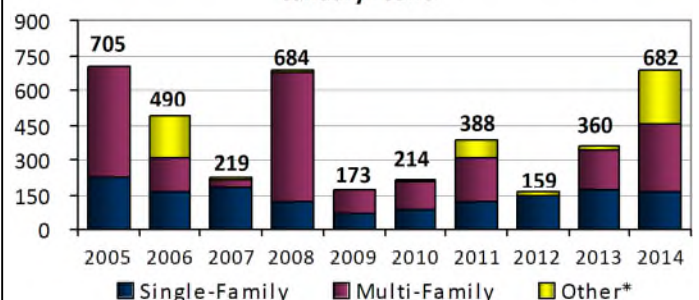
Privately-owned housing starts also fell in June by 9.3 percent to 893,000 (SAAR) from last month's revised 985,000 rate, with single and multi-family housing starts both falling. However, housing starts were up 7.5 percent from last year's rate of 831,000 when housing starts last bottomed out. This was the 3rd straight month of year-over-year increase and was mainly due to multi-family housing starts. The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building.

Norfolk Residential Building Permits

The number of housing units permitted in Norfolk through June rose by 322 units to 682 units from 360 units permitted during the same period last year. Similar to previous years, housing units permitted in apartment projects drove the growth year-to-date. In June, Pointe at Picketts Farm (180 units out of 300 units planned) and WaterMark by Collins (67 units) were permitted. A tenplex structure was also permitted in Harbor Walk. These were in addition to the permitting of the conversion of the Madison office building into an apartment (79 units).

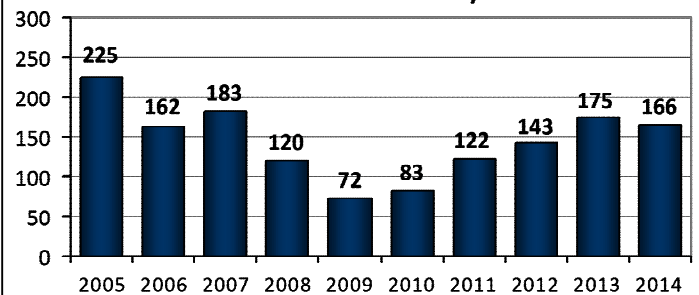
Number of Housing Units Permitted in Norfolk

January - June



Number of New Single-Family Dwellings

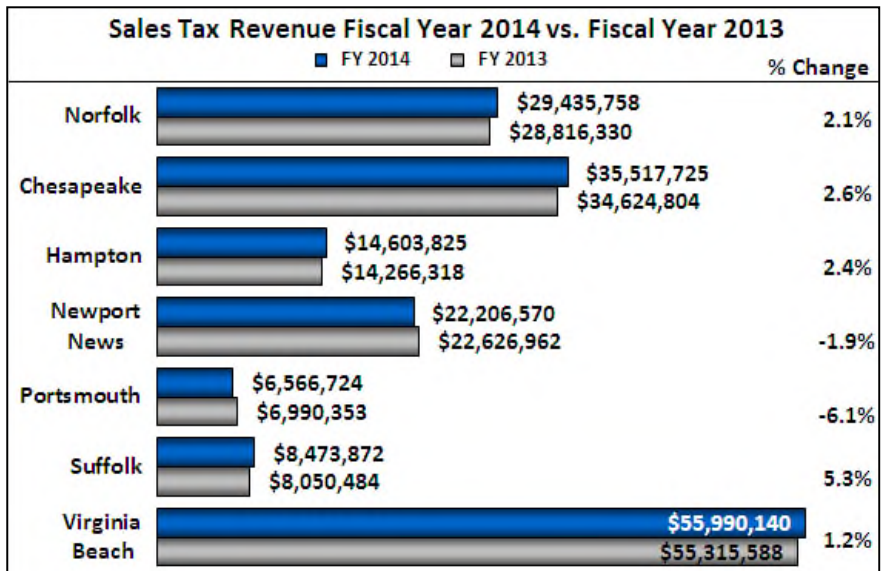
Permitted in Norfolk: January - June



Norfolk and Regional Sales Tax

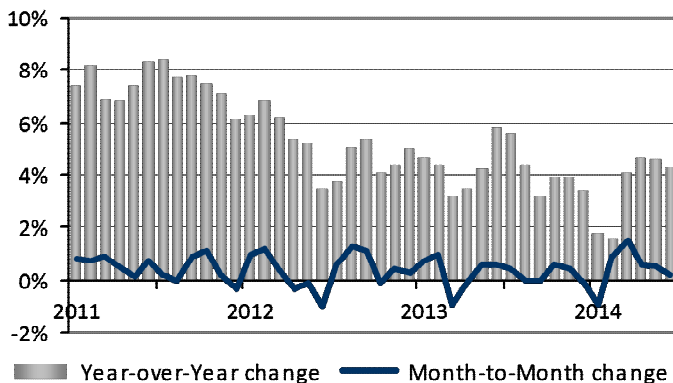
The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in fiscal year (FY) 2014 totaled about \$29.4 million, which was an increase of 2.1 percent (about \$619,400) from FY 2013. However, adjusting for the correction of an overpayment by TAX last year, Norfolk sales taxes were down 0.9 percent in FY 2014 from FY 2013.

Sales tax revenue in FY 2014 increased in all the other major cities in region, except Newport News and Portsmouth where sales taxes declined by 1.9 percent and 6.1 percent, respectively. Portsmouth's decline may be related to a correction in its sales tax distribution. Among the seven major cities, Suffolk had the largest percentage growth (5.3 percent) while Chesapeake had the largest dollar growth (about \$892,900). However, among the seven major cities, collections in Chesapeake, Newport News, Norfolk, and Portsmouth in FY 2014 were still below their pre-recession peak.



National Retail and Food Service Sales

Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)

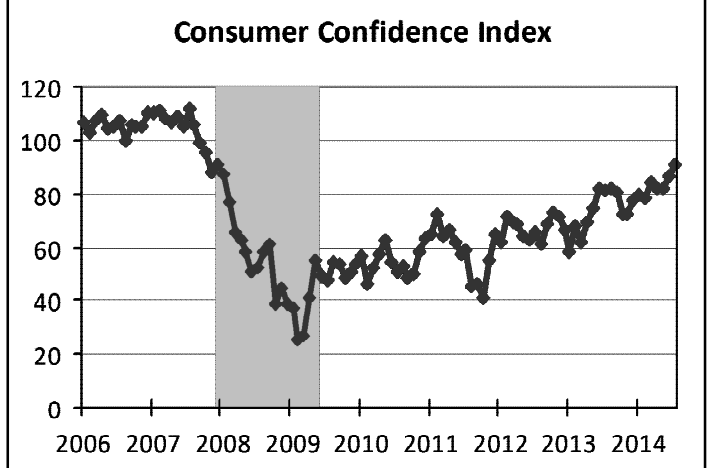


The U.S. Census Bureau reported national retail and food services sales in June were up 0.2 percent (preliminary) from the previous month (May 2014) for the 5th straight month, but this was the smallest increase in five months. However, on a positive note, the monthly increase in May from April was revised upward to 0.5 percent from the preliminary 0.3 percent estimate. The monthly increase in June from May was largely from general merchandise stores (including department stores), nonstore retailers (which include internet and mail order sellers), health and personal care stores, and food and beverage stores.

Compared to last year (June 2013), retail and food service sales rose 4.3 percent (preliminary) and have risen year-over-year since November 2009. The majority of the increase came from motor vehicles and parts dealers, nonstore retailers, and restaurants and bars. However, the increase was broad based and among the major business categories, only department stores and sporting goods/hobby stores had a decline, similar to last month.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

Consumer Confidence Index

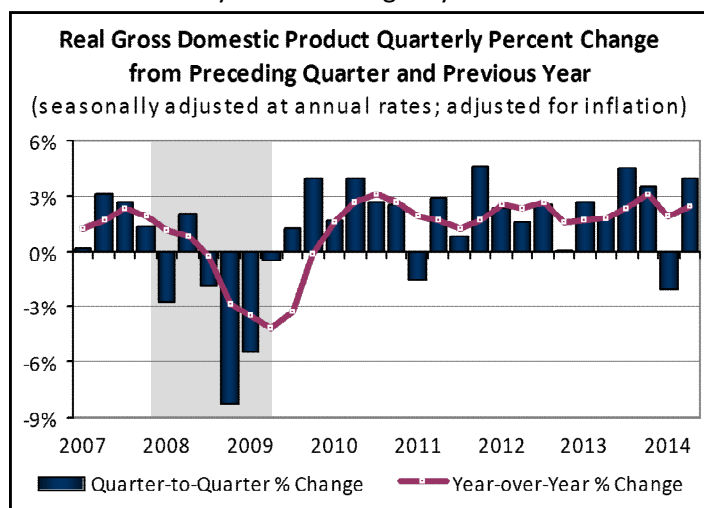


The Conference Board reported the Consumer Confidence Index rose for the 3rd straight month in July to 90.9 from 86.4 in June (revised), reaching its highest level since October 2007. Consumer confidence in current and future business and employment conditions both continued to improve in July. The Present Situation Index, which measures consumer confidence in current conditions rose moderately to 88.3 from 86.3 in June, while the Expectations Index, which measures consumer confidence in business, employment and family income six months from now, rose to 92.7 from 86.4 in June.

Lynn Franco, Director of Economic Indicators at The Conference Board indicated, "Strong job growth helped boost consumers' assessment of current conditions, while brighter short-term outlooks for the economy and jobs, and to a lesser extent personal income, drove the gain in expectations. Recent improvements in consumer confidence.....suggest the recent strengthening in growth is likely to continue into the second half of this year."

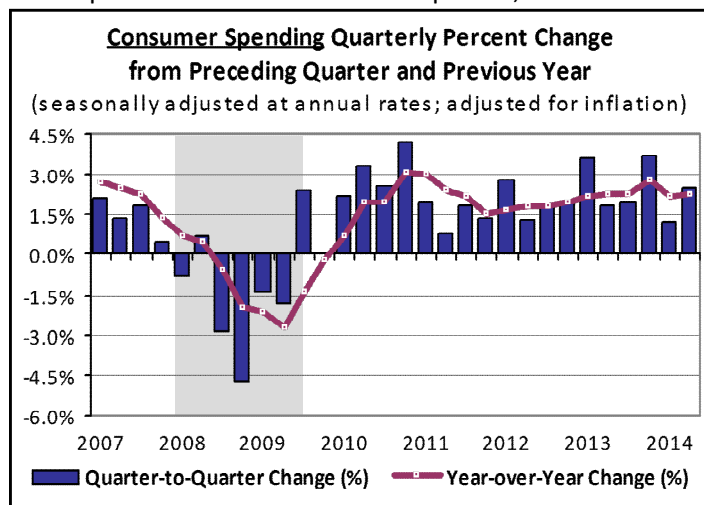
Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 4.0 percent (first estimate) in the second quarter of 2014. The increase follows a decline of 2.1 percent (revised from the previous estimate of a 2.9 percent decline) in the first quarter of 2014. BEA indicated that the first estimate is based on source data that are incomplete or subject to further revision by the source agency.



The growth in the second quarter reflected:

- **consumer spending** increasing 2.5 percent, above the 1.2 percent increase in the first quarter;



- **business investment in inventory** increasing \$93.4 billion, after increasing \$35.2 billion in the first quarter;
- **business investment in equipment** rising 7.0 percent, after declining 1.0 percent in the first quarter;
- **business investment in structures** increasing 5.3 percent, compared to a 2.9 percent increase in the first quarter;
- **residential investment** increasing 7.5 percent, after declining 5.3 percent in the first quarter;

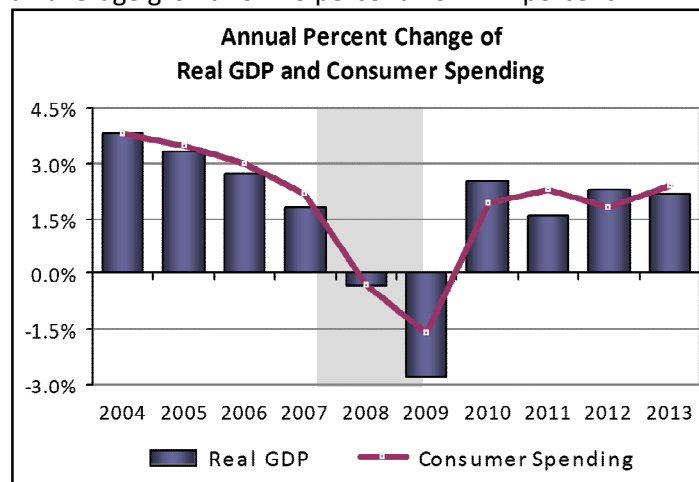
Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.

- **federal defense spending** rising 1.1 percent, after declining 4.0 percent in the first quarter; and
- **state and local government spending** rising 3.1 percent, after declining 1.3 percent in the first quarter.

These increases were partly offset by the 3.7 percent decline in **federal nondefense spending**. Also, **imports** (which is a subtraction from real GDP) rose 11.7 percent, more than the 9.5 percent increase in **exports** (which is a positive contributor to real GDP). These dampened real GDP growth by 0.71 percentage point.

Annual Real GDP

BEA revised upward the growth in real GDP and consumer spending in 2013, respectively, to 2.2 percent (from previous estimate of 1.9 percent) and 2.4 percent (from previous estimate of 2.0 percent). However, BEA revised down real GDP growth in 2011-2012 to an average growth of 2.0 percent (vs. previous estimate of 2.3 percent growth) and consumer spending growth in 2010-2012 to an average growth of 2.0 percent from 2.2 percent.



BEA also revised upward state and local government spending in 2013, now estimated to have grown 0.5 percent compared to the previous estimate of a 0.2 percent decline. This would be the first annual growth since 2009. Similarly, state and local government jobs combined grew for the first time in 2013 since 2008.

